

**FISCAL YEAR 2007-2008 PROPOSED OPERATING AND CAPITAL BUDGET
2008-2012 CAPITAL IMPROVEMENT PROGRAM
STUDY SESSION MEETING MINUTES**

May 7, 2007 – May 17, 2007

The Council of the City of San José convened in Budget Study Session on May 7, 2007 at 1:05 p.m. in Council Chambers, City Hall Council Wing, San Jose, California.

Present: Council Members - Campos, Chirco, Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - None.

Vacant: - District 4.

Staff: City Attorney Richard Doyle, City Manager Les White, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Redevelopment Agency Director Harry Mavrogenes, Redevelopment Agency Chief Financial Officer David Baum, Deputy Director Redevelopment Agency John Weis, Director of Planning, Building and Code Enforcement Joseph Horwedel, Director of Housing Leslye Krutko, Administrative Manager, Office of the City Clerk Dennis Hawkins, Deputy City Clerk Nancy Alford and Legislative Secretary Susan Davis.

Opening Comments

Mayor Reed presented opening comments.

Introduction of Proposed Operating Budget

City Manager Les White outlined the five priority goals previously set by the City Council.

Overview Presentation

Budget Director Larry Lisenbee presented an overview of the Proposed Operating Budget and responded to Council questions.

Access the video, the agenda and related reports for this meeting by visiting the City's website at www.sanjoseca.gov/clerk/MeetingArchive.asp

Council Member Liccardo arrived at 1:19 p.m.

Council Member Constant requested that Staff detail the employee reductions and additions on the same page.

Redevelopment Agency Director Harry Mavrogenes and Agency Chief Financial Officer David Baum presented an overview of the preliminary Redevelopment Agency Proposed Operating Budget, noting that the actual tax increment revenue amount won't be available until July. Financial Officer Baum responded to Council questions.

Community and Economic Development

Chief Development Officer, Office of the City Manager Paul Krutko presented an outline of the Community and Economic Development City Service Area (CSA) business plan, performance measures, core services and outcomes. Outcome 1: strong economic base. Dan Fenton, CEO Team San José, outlined the key strategic goals and objections for the convention services managed by Team San José. Director of Planning, Building and Code Enforcement Joseph Horwedel presented Outcome 2: safe, healthy, attractive and vital community. Director of Housing Leslye Krutko summarized Outcome 3: diverse range of housing options. Chief Development Officer, Office of the City Manager Paul Krutko outlined Outcome 4: range of quantity events, cultural offerings and public artworks.

Council questions and discussion followed.

Council Member Campos requested that Staff circulate an information memorandum to Council on the comparisons and descriptions of the various homeless programs in Santa Clara County.

Mayor Reed asked Staff what it takes to improve the level of service, how much money should the paying customers be charged and requested calculations be circulated to Council.

Mayor Reed adjourned the study session at 4:17 p.m.

RECESS/RECONVENE

The City Council recessed at 4:17 p.m. from the Study Session and reconvened on May 10, 2007 at 9:10 a.m. in the Council Chambers, City Hall.

Present: Council Members - Campos, Chirco, Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle; Reed.

Absent: Council Members - Williams. (Excused)

Vacant: - Council District 4.

Staff: City Attorney Richard Doyle, City Manager Les White, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Deputy City Clerk Nancy Alford and Legislative Secretary Susan Davis.

Neighborhood Services

City Library Director Jane Light presented a brief overview of the Neighborhood Services CSA Operating Budget. Director of Parks, Recreation and Neighborhood Services Albert Balagso outlined Outcome 1: safe and clean parks, facilities and attractions; and Outcome 2: vibrant cultural, learning and leisure opportunities. Deputy Director Planning, Building and Code Enforcement Mike Hannon summarized Outcome 3: healthy neighborhoods and capable communities. Strong Neighborhood Initiatives Manager Laura Lam presented a brief overview of the key strategic goals and objectives for building strong neighborhoods and increasing civic engagement; and animal care and services. Library Director Jane light summarized the Neighborhood Services CSA Operating Budget.

Council questions and discussion followed.

Council Member Liccardo inquired about the “return on investment” if full time positions were dedicated to grant writing to leverage what little money the City has.

Mayor Reed requested information regarding the Neighborhood Services CSA 15% increase in budget but only a 3% increase in positions over a two year period.

Mayor Reed stated that more private/public partnerships are needed in terms of maintenance of the neighborhood parks and added that Columbus Park is totally maintained by volunteers. Council Member Oliverio concurred with Mayor Reed regarding the private/public partnerships and inquired about a methodology for incentives to successful grant writing staff. City Attorney Richard Doyle replied that Staff would explore that and bring back options to Council.

Public Safety

Chief of Police Robert Davis presented a brief overview of the Public Safety CSA Operating Budget and its Core Services and Outcomes. He introduced partners Fire Chief Darryl Von Raesfeld, Director of Office of Emergency Services Kimberly Shunk and Interim Deputy Director for Independent Police Auditor Shivaun Nurre and noted that the Public Safety CSA will be combined with the Neighborhood Services CSA. He summarized the current position and trends in the departments, and outlined the key strategic goals and objectives.

Council questions and discussion followed.

Council Member Campos requested an updated handbook of community resources produced by the Office of the Independent Police Auditor.

Mayor Reed adjourned the study session at 11:58 a.m.

RECESS/RECONVENE

The City Council recessed at 11:58 a.m. from the Study Session and reconvened on May 11, 2007 at 9:04 a.m. in the Council Chambers, City Hall.

Present: Council Members - Campos, Chirco, Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - None.

Vacant: - Council District 4.

Staff: City Attorney Richard Doyle, Chief Deputy City Manager Kay Winer, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Deputy City Clerk Nancy Alford and Legislative Secretary Susan Davis.

Public Safety (Continued from May 10, 2007)

Chief of Police Robert Davis presented a brief overview of the Community Outreach programs in the Police Department which will be affected by budget reductions and responded to Council questions on the topic.

Council Member Campos asked for timelines with respect to when Police Officers are brought to the academy as it was helpful for Council to know this ahead of time for making decisions during the budget. She added that Fire Chief Darryl Von Raesfeld should also keep the Council apprised of the impact on staff when new fire stations are brought online.

Council Member Williams commended the Police Department for their diversion tactics downtown during the celebration of Cinco de Mayo.

Council Member Pyle suggested outreach to the parents via a newsletter about dealing with traffic issues around the schools.

Council Member Oliverio suggested that Fire Chief Darryl Von Raesfeld outreach for new recruits for the Fire Department within the City of San José and whenever it is legally possible, to preferentially hire only San José residents.

Council Member Liccardo arrived at 9:54 a.m.

Transportation and Aviation Services

Director of Transportation James Helmer presented a brief overview of the Transportation and Aviation Services CSA operating budget and highlighted Outcome 4: preserve and improve transportation assets and facilities. Director of Aviation William Sherry summarized the aviation services operating budget and Outcome 3: travelers have a positive, reliable and efficient experience; and Outcome 5: provide a transportation system that enhances community livability. Deputy Police Chief Ken Ferguson provided information on Outcome 1: provide safe and secure transportation systems. Deputy Director Office of Economic Development Jeff Ruster outlined Outcome 2: provide viable transportation choices that promote a strong economy. Director of Transportation James Helmer summarized the Transportation and Aviation Services CSA operating budget.

Council discussion and questions followed.

Council Member Campos suggested that Staff explore other opportunities around schools and children if cars are speeding and perhaps create a fund for these types of efforts. She suggested that Staff work with other local cities to seek legislation that would provide municipalities with a larger percentage of the revenue received from traffic citations issued on 25 mph streets and volunteered to bring the subject to the League of California Cities Transportation Committee.

Council Member Campos referring to tree maintenance issues asked whether Staff has explored opportunities for residents to pay for maintenance services through the City as an option.

Council Member Oliverio requested that Staff explore other options related to tree trimming such as outsourcing the service to contractors.

Mayor Reed adjourned the study session at 12:00 p.m.

RECESS/RECONVENE

The City Council recessed at 12:00 p.m. from the Study Session and reconvened on May 14, 2007 at 1:09 p.m. in the Council Chambers, City Hall.

Present: Council Members - Campos, Chirco, Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - None.

Vacant: - Council District 4.

Staff: City Attorney Richard Doyle, Chief Deputy City Manager Kay Winer, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Deputy City Clerk Nancy Alford and Legislative Secretary Ursula Hawkins.

Community and Economic Development (Continued from May 11, 2007)

Assistant Director of the Office of Economic and Cultural Development Kim Walesh and Deputy Executive Director, Redevelopment Agency Norberto Duenas presented an overview outlining the timeline for development of the complete Small Wonders/1st Act Work Plan and clarified the budget link between the Small Wonders Work Plan, the City of San José and the Redevelopment Agency.

Assistant Director of the Office of Economic and Cultural Development Kim Walesh provided an overview of advertising and signage in the downtown area and continuation of the rotunda lighting program.

Council questions and comments followed.

Environmental and Utility Services

Director of Environmental Services John Stufflebean summarized the Core Services and the Outcomes of the Environmental and Utility Services CSA.

Extensive Council discussion followed.

Mayor Reed requested that Staff continue to track the financial savings provided to the City through its energy saving efforts and to report on the dollar value of the 20% City-wide savings through the use of a Manager Budget Addendum memorandum.

Council Member Campos requested that Staff create a visual mapping of LEED certified and other green buildings in the City.

Vice Mayor Cortese requested that Staff circulate an information memorandum on the City's water rate structure, including comparison to other localities, and provide a written response on the expected water rate increases and information on the water rate stabilization fund.

Strategic Support

Director of Human Resources Mark Danaj, Director of General Services Peter Jensen, Chief Information Officer Randall Murphy, Director of Public Works Katy Allen, Director of Finance Scott P. Johnson, and Retirement Director Edward Overton summarized the Core Services and Outcomes of the Strategic Services CSA.

Considerable Council discussion followed.

Deputy City Manager Ed Shikada responded to questions from Mayor Reed on the status of two City held properties: E-Lot (parking lot), and the old City Hall and reminded staff to be cognizant of the relationship between those two properties and the debt service on New City Hall.

Council Member Liccardo requested that Staff look into offsetting increased fuel expenses caused by the volatile fuel market through possible partnering with the Santa Clara Valley Transportation Agency and the County of Santa Clara for fuel purchases.

Council Member Campos requested that Staff report on the diversity of employees both Citywide and by department.

Council Member Constant requested that Staff consider all funding actions, including use of excess earnings, to meet GASB 45 (Governmental Accounting Standards Board, Statement 45) requirements.

Mayor, City Council and Appointees

Office of the City Manager

Deputy City Manager Deanna Santana presented the Core Services, Outcomes and Business Plan for the Office of the City Manager and responded to Council questions.

Council Member Campos requested Staff to follow-up on the Manager's Budget Addendum from the 2006-07 budget sessions which directed the City Manager to provide Council with analysis of the staffing structure relative to Council priorities, including staff support to domestic violence programs.

Office of the City Auditor

City Auditor Gerald Silva outlined the Office of the City Auditor proposed budget and responded to Council questions.

City Attorney's Office

City Attorney Richard Doyle presented an overview of the budget for the City Attorney's Office.

Office of the City Clerk

City Clerk Lee Price summarized the budget of the Office of the City Clerk and responded to Council questions. Council Member Campos suggested that the City Clerk report to Council at mid-year on the impact to the City's Master Calendar, as a result of the budget reduction.

City Auditor Recommendations

City Auditor Gerald A. Silva summarized the six recommendations from the City Auditor's Recommendations and responded to Council questions.

Fees and Charges

Budget Director Larry D. Lisenbee presented an overview of the 2007-2008 Proposed Fees and Charges, and responded to Council questions.

Council Member Constant requested that Staff ensure the fees and charges are properly quoted to the public.

Vice Mayor Cortese requested that Staff complete a cost analysis on a single sports complex site for all residents versus maintaining individual sport sites throughout the City.

Mayor Reed requested that the City Clerk return to Council with an updated cost analysis of the new lobbyist registration fees for next year, or at mid-year, if necessary, once the program is fully up and running.

Mayor Reed adjourned the study session at 4:50 p.m.

RECESS/RECONVENE

The City Council recessed at 4:50 p.m. from the Study Session and reconvened on May 16, 2007 at 9:14 a.m. in the Council Chambers, City Hall.

Present: Council Members - Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - Campos, Chirco. (Excused)

Vacant: - Council District 4.

Staff: City Attorney Richard Doyle, Chief Deputy City Manager Kay Winer, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Deputy City Clerk Nancy Alford and Legislative Secretary Ursula Hawkins.

Overview of the Proposed Capital Budget

Deputy City Manager Ed Shikada and Budget Director Larry Lisenbee presented an overview of the 2007-2008 Capital Budget, which included an introduction on certain cost elements and performance measures, source of funds and a summary of LEED analysis for projects already in the pipeline. Deputy City Manager Ed Shikada highlighted multi-year projects of the Capital Program. Budget Director Larry Lisenbee presented the financial highlights of the Capital Program.

Budget Director Larry Lisenbee clarified that the category marked transfer on the source funds slide is actually referencing debt financing.

Deputy City Manager Ed Shikata stated that Staff is currently looking at how the City can redirect funds from projects that were initially targeted to come-on line in the Evergreen Project to the Public Safety Master Plan.

Extensive Council discussion followed.

Council Member Liccardo requested that Staff look into other performance measure targets when tracking costs on project deliverables.

Vice Mayor Cortese requested that Staff provide Council a comprehensive cost analysis on property acquisitions from projects that experience an engineering downgrade and to begin looking at the straight acquisition cost of eminent domain acquiesced land, specifically, the Pleasant Hills property. Vice Mayor Cortese requested Staff to consider ways to incorporate green building strategies for current projects that are beyond the design phase.

Community and Economic Development CSA Capital Budget

Deputy Director of Public Works Timm Borden summarized the Developer Assisted Programs section that included the Underground Utility Program and the Developer Rules In-Lieu Program.

Council Member Liccardo requested that Staff look into the legality of placing the 20A funds into an account for the City, where the City would benefit from the return interest earned on those funds, while waiting for the utility companies to begin working on the underground projects.

City Attorney Richard Doyle stated his office would work with the Public Utilities Commission to look into who gets the credit for the interest gained from 20A funds through an accounting request as an alternative to Council Member Liccardo's request.

Council Member Williams requested that Staff consider ways the utility companies can assist the City with aesthetic enhancements of those areas where the utility equipment is located. Council Member Williams requested that Staff include in the City's infrastructure an implementation plan on median island construction and maintenance.

Environmental and Utility Services CSA Capital Budget

Director of Environmental Services John Stufflebean outlined the presentation on Capital Programs and Environmental Services CSA which included the Sanitary Sewer System, Storm Sewer System, Water Pollution Control and Water Utility System Capital Programs.

Director of Public Works Katy Allen summarized the Storm Sewer and Sanitary Sewer Programs.

Director of Environmental Services John Stufflebean presented an overview on the Water Pollution Control and Water Utility System Capital Programs.

Extensive Council discussion followed.

Council Member Williams requested information on the impact on the storm drain system resulting from placing yard waste on the streets for pick up.

Public Safety CSA Capital Budget

Police Chief Robert Davis and Fire Chief Darryl Von Raesfeld presented an overview of Public Safety CSA Capital Budget and responded to questions by Council.

Council Member Williams requested that Staff provide data on the benefits and improvements in the Fire Department's performance services as a result of leveraging technology.

Neighborhood Services CSA Capital Budget

City Librarian Jane Light and Deputy Director of Parks, Recreation, and Neighborhood Services Julie Mark summarized the Neighborhood Services Capital Programs for 2007-2008.

City Librarian Jane Light reported that there have been three new branch library openings and the significant issues were increased construction inflation costs, LEED Silver Certification costs and funding of future expenditures.

Deputy Director of Parks, Recreation, and Neighborhood Services Julie Mark summarized four Master Plans and Council support in acquiring an automated online reservation and facility reservation system.

Mayor Reed adjourned the study session at 12:04 p.m.

RECESS/RECONVENE

The City Council recessed at 12:04 p.m. from the Study Session and reconvened on May 17, 2007 at 9:10 a.m. in the Council Chambers, City Hall.

Present: Council Members - Constant, Cortese, Liccardo, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - Campos, Chirco. (Excused)

Vacant: - Council District 4.

Staff: City Attorney Richard Doyle, Chief Deputy City Manager Kay Winer, Chief Development Officer, Office of the City Manager Paul Krutko, Budget Director Larry Lisenbee, Acting Budget Director Jennifer Maguire, Deputy City Clerk Nancy Alford and Legislative Secretary Ursula Hawkins.

Neighborhood Services CSA Capital Budget (Continued from May 16, 2007)

Deputy City Manager Ed Shikada identified additional key items related to funding sources, highlighting libraries, parks, community services and future capital projects.

Extensive Council discussion followed.

Mayor Reed requested that Staff include in the cost recovery information memorandum on Family Camp how much it will take to close the remaining 25% cost recovery gap.

Mayor Reed requested that Staff include the people responsible for paying the operating costs in the discussions going forward regarding recreational needs in North San José and that Staff include the stakeholders in the discussions of sports fields and possible sponsorship opportunities.

The Study Session recessed at 9:55 a.m. and reconvened at 10:55 a.m.

Transportation and Aviation Services CSA Capital Budget

Director of Public Works Katy Allen presented the performance measures for the Combined Capital Programs. Director of Transportation James R. Helmer summarized the Parking Capital Programs. Director of Aviation William F. Sherry outlined the Air Transportation Capital Projects.

Strategic Support CSA Capital Budget

Council comments and questions continued.

Mayor Reed adjourned the study session at 12:05 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

Lee Price, MMC
City Clerk

smd/2007-08 BudgetStudyMIN

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ATTACHMENT A

- (1) 2007-2008 Proposed Operating Budget Overview Staff presentation, dated May 7, 2007.
- (2) Proposed FY2007-08 Budget, San José Redevelopment Agency presentation, dated May 7, 2007.
- (3) Community and Economic Development CSA Staff presentation, dated May 7, 2007.
- (4) Neighborhood Services Operating Budget CSA presentation, dated May 10, 2007.
- (5) Public Safety Operating Budget CSA presentation, dated May 10, 2007.
- (6) Letter from Phyllis Lazzarini, Citizen Oversight Committee, dated May 14, 2007, regarding recommendations/comments on the public safety portions of the Proposed 2007-08 Capital Budget and 2008-12 Capital Improvement Program.
- (7) Transportation and Aviation Services CSA Operating Budget presentation, dated May 11, 2007.
- (8) Small Wonders Program, Community and Economic Development CSA, Work Plan presentation dated May 14, 2007.
- (9) Environmental and Utility Services CA 2007-2008 Operating Budget presentation dated May 14, 2007.
- (10) Strategic Support CSA Operating Budget presentation dated May 14, 2007.
- (11) City of San José 2007-2008 Proposed Fees and Charges Overview dated May 14, 2007
- (12) Proposed 2007-2008 Capital Budget 2008-2012 Capital Improvement Program presentation dated May 16, 2007.
- (13) Community and Economic Development CSA Capital Program presentation dated May 16, 2007.
- (14) Environmental and Utility Services CSA Capital Program presentation dated May 16, 2007.
- (15) Public Safety CSA Capital Program presentation dated May 16, 2007.
- (16) Neighborhood Services CSA Capital Program presentation dated May 16, 2007.
- (17) Memorandum from Director of Parks, Recreation and Neighborhood Services Albert Balagso, dated May 17, 2007, transmitting additional information about the Recreation and E-Commerce System (RECS).
- (18) Transportation and Aviation Services CSA Capital Programs presentation dated May 17, 2007.